

CITY OF ABERDEEN
Grays Harbor County, Washington
January 1, 1991 Through December 31, 1992

Schedule Of Findings

1. Accounting Controls Over Fixed Assets Should Be Strengthened

As reported in prior audits, the City of Aberdeen does not yet have adequate internal accounting controls over its fixed assets. Although the city has made great improvement, several significant areas of concern remain:

- Draft policies and procedures which relate to management of, and accounting for, fixed assets at all levels of city operations have yet to be formally approved and implemented.
- A comprehensive physical count of fixed assets has not been taken nor have fixed assets been reconciled to the detailed subsidiary ledgers for years.
- Detail asset listings for the enterprise funds do not support general ledger control accounts.
- Not all fixed asset acquisitions received proper accounting recognition and accountability.

Strong controls over fixed assets have yet to be fully achieved due to the decentralized nature of the city's departments and assignment of insufficient resources to fixed asset accounting and accountability.

Without adequate accounting procedures, controls, and accurate detailed supporting records, the city lacks the ability to adequately safeguard its fixed assets. Additionally, the city does not have adequate information to properly determine depreciation expense. The deficiencies noted above increase the likelihood that errors or irregularities could occur and not be detected in a timely manner.

We recommend the City of Aberdeen:

- a. Implement accounting policies and procedures to ensure that all fixed assets are properly recorded in the city's fixed asset records.
- b. Conduct timely physical inventories of fixed assets and reconcile any differences between the physical inventories and the city's fixed asset internal accounting records.
- c. Reconcile and adjust the accumulated difference between the fixed asset subsidiary ledger and general ledger control accounts.

2. Annual Budget Should Be Amended Within The Fiscal Year Affected And Expenditures Should Be Limited To Appropriations

The City of Aberdeen's budget for the year ended December 31, 1992, was amended on February 17, 1993, increasing appropriation and transfers for eleven city departments and funds.

These increased appropriations and transfers, set forth in Ordinance No. 6020, arose from costs incurred in 1992 for which insufficient appropriations had been made. Since the city did not amend its 1992 budget until the following year, the city, in fact, made expenditures before they were authorized by the city council.

Chapter 35.33 RCW does not authorize budget amendments after the fiscal year in which the expenditures are made.

In addition to this late budget amendment, in 1991 and 1992 the city made expenditures from various funds that were in excess of appropriations approved in those years. A listing of the appropriations and expenditures, by fund, is provided below:

<u>Fund</u>	<u>Authorized Appropriation</u>	<u>Actual Expenditure</u>	<u>Over Appropriation</u>
<u>1991</u>			
Parking	\$ 13,000	\$ 20,047	\$ (7,047)
Museum	1,070	3,238	(2,168)
Garbage Utility	533,500	592,700	(59,200)
Water Utility	1,655,000	2,033,609	(378,609)
ER&R-Operations	310,675	318,346	(7,671)
Fire Pension	547,100	577,725	(30,625)
Police Pension	347,100	357,394	(10,294)
<u>1992</u>			
Morrison Park	\$ 18,000	\$ 20,238	\$ (2,238)
Museum	0	922	(922)
Drug Enforcement	369,000	376,717	(7,717)
Hotel/Motel Tax	18,000	30,664	(12,664)
Public Buildings	0	4,528	(4,528)
Sewer Utility	1,543,104	2,516,631	(973,527)
Wynoochee OMR&R	0	923,712	(923,712)
ER&R-Reserve	398,200	603,595	(205,395)
Fed. Reim. Trust	0	341,356	(341,356)

These overexpenditures by the city are contrary to the provisions of RCW 35.33.121 which states in part:

. . . the expenditure of city or town funds or the incurring of current liabilities on behalf of the city or town shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year. . . .

These untimely budget amendments and excess expenditures appear to have resulted from

the failure of city officials to monitor expenditures in relationship to the appropriations as set forth in the budget.

Budgetary controls need to be monitored and compared to appropriations on a timely basis.

We recommend the City of Aberdeen maintain expenditures at or below authorized appropriations in compliance with state law and city council directives. Further, city officials should implement a system of controls which provides for the timely monitoring and comparison of expenditures and appropriations to enable the enactment of budget amendments within the fiscal year to which the budget applies.

3. City Employees Should Use Charge Cards For Travel Purposes Only

The city has allowed the Public Works Department to obtain charge cards in the city's name. These charge cards have been used for general expenditures. The use of charge cards for general purpose expenditures is contrary to the provisions of RCW 42.24.115 which provides in part:

Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the sole purpose of covering expenses incident to authorized travel. (Emphasis ours.)

The use of city charge cards for purposes of other than authorized travel weakens controls over the city's purchasing system and may result in the loss of city funds due to improper personal use of the charge cards by city employees.

The city has chosen to take the position that the use of charge cards for general expenditures is allowable despite the specific language employed by RCW 42.24.115 that limits charge card use to authorized travel activities.

We recommend the city limit the use of charge cards to authorized travel expenditures only.